Customer Intentions to Invoke Service Guarantees: Do Excellence in Service Recovery, Type of Guarantee and Cultural Orientation Matter?

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Structured abstract

Purpose - Many service providers feel confident about their service quality and thus offer service guarantees to their customers. Yet service failures are inevitable. As guarantees can only be invoked when customers report service failures, firms are given the opportunity to redress the original failure potentially influencing customer outcomes. This research provides the first empirical investigation of whether excellence in service recovery affects customers' intentions to invoke a service guarantee, thereby discriminating between conditional and unconditional guarantees and testing for the impact of customers' individualistic versus collectivistic cultural orientation.

Design – One-hundred seventy-one respondents from four continents (spanning 23 countries) were recruited to participate in a quasi-experimental study in a hotel setting. A three-way analysis of variance was used to test the hypotheses.

Results - All customers are very likely to invoke the service guarantee after an unsatisfactory service recovery. When customers are satisfied with the service recovery, they report lower invoke intentions, except for collectivistic individuals who are still inclined to invoke an unconditional service guarantee after a satisfactory service recovery. This finding supports an in-group/out-group rationale, whereby collectivists tend to behave more opportunistically towards out-groups than individualistic customers.

Originality/Value - This study highlights the importance of excellence in service recovery, cultural differences and different types of service guarantees with respect to customers' intentions to invoke the guarantee. We demonstrate how service guarantees should be designed in conjunction with service recovery strategies. Also, we show that an unconditional service guarantee creates the condition in which collectivists might engage in opportunistic behavior; global service providers concerned about opportunistic customer claiming behavior thus might benefit from using conditional service guarantees.

Keywords: Service Guarantees, Invoke Intentions, Service Recovery, Cultural Orientation, Hospitality Industry

Article classification: Research Paper

1. Introduction

A service guarantee is defined as "an explicit promise made by the service provider to (a) deliver a certain level of service to satisfy the customer and (b) remunerate the customer if the service is not sufficiently delivered (Hogreve and Gremler, 2009, p. 324). Service providers often use service guarantees to signal service quality, decrease the perceived risk of customers, increase satisfaction, and make customers more likely to purchase the service (Kandampully and Butler, 2001; McCollough and Gremler, 2004; Wu *et al.*, 2012). For example, the Radisson Blu hotel, a worldwide hotel chain using a service guarantee, provides the following text on its website for hotel guests:

> *"In our fiercely competitive industry, we stand apart from the rest thanks to our special Yes I Can! service spirit. We love what we do and as proof of that, we promise to deliver a 100% Guest Satisfaction Guarantee. Our staff will do everything to ensure that you leave our hotel happy, so if there is a complaint, it is addressed with the utmost of haste. If your complaint remains unresolved or you leave disappointed, any one of our staff can invoke the 100% Guest Satisfaction Guarantee.* (www.radissonblu.com)."

Taking a closer look at Radisson Blu's service guarantee, we notice several issues that have remained unresolved in prior literature. First, the example shown above illustrates that service providers can develop service recovery strategies to offset customers' intention to invoke a service guarantee in case of a service failure. Yet to date, research has not combined service guarantees with excellence in service recovery (i.e., providing a satisfactory *solution* to the service failure). In contrast, research has mainly considered the mere payout (i.e., providing compensation) of the guarantee as part of the service recovery once the service failed, and not after the recovery, concretized as "*All you have to do is ask, and we'll deliver it. No questions*

asked." (Wirtz and Kum, 2001, p 297). In their synthesis of 20 years of service guarantees research, Hogreve and Gremler (2009) note that surprisingly little is known about the interplay between service guarantees and service recovery, and their impact on invoke intentions. Second, Hogreve and Gremler (2009) note that only few studies examine service guarantee elements that affect the intention to invoke the guarantee, and more research on this issue is warranted. One of the major decisions service providers need to make when designing service guarantees is whether to offer an unconditional or a conditional service guarantee (Jin and He, 2013). While the Radisson Blu hotel offers an unconditional guarantee that assures the performance of all aspects of the service (Hart, 1988), other service providers might offer a conditional guarantee that explicitly identifies what is covered (Wirtz and Kum, 2001). Third, Radisson Blu is a global hotel chain, and their service guarantee is valid in any hotel across the globe. Yet so far, research on service guarantees does not take customers cultural orientations into account. Hogreve and Gremler (2009) specifically argue that customers' cultural orientation may influence a customer's intention to invoke the service guarantee. Current service guarantee research does not provide insights into the issues a multinational service provider needs to consider when implementing a service guarantee in different countries.

This study is designed to fill these voids left by the literature. To the best of our knowledge, this paper is the first to empirically examine whether the interaction amongst service recovery (unsatisfactory versus satisfactory), the type of service guarantee (conditional versus unconditional), and the customer's cultural orientation (individualistic versus collectivistic orientation) predicts customers' intentions to invoke a service guarantee. More specifically, we propose that customers' intentions to invoke a service guarantee depend on the service provider's ability to remedy the problem, the use of a conditional or unconditional service guarantee, and customers' individualistic versus collectivistic orientation. Through this examination, this paper

contributes to the literature in two ways. First, it increases our understanding of the interplay between service guarantees and excellence in service recovery. More specific, whereas prior research assumes service guarantees to be part of service recovery, this paper shows that both are distinct yet interrelated. Second, it enriches our current knowledge of customers' service experiences across cultures, providing insights into which type of guarantee to offer across different cultures. As a consequence, this study addresses the calls for research by Zhang *et al.* (2008) and Hogreve and Gremler (2009) on linking service guarantees to service recovery strategies across the globe.

2. Theoretical Background

This paper utilizes three streams of literature: service recovery, design of service guarantees, and cultural orientation. The integration of these streams resulted in the conceptual framework of this study, as is depicted in Figure 1.

Insert Figure 1 here.

2.1 Excellence in Service Recovery and Intentions to Invoke Service Guarantees

Service guarantees are ought to have a positive effect on service recovery, since they communicate to customers that employees take responsibility for their failures and may show the customer that the service provider is willing to remedy the problem (Björnlin Liden and Skalen, 2004). Service recovery is defined as the actions a service provider takes in response to customer complaints (Grönroos, 1988). It represents a critical moment of truth for an organization, as an unsatisfactory response to a customer complaint might lead to losing the complaining customer (Michel *et al.*, 2009). The literature thus devotes considerable attention to this issue, and identifies the key ingredients of a satisfactory service recovery. This involves solving the

customer's problem, offering an apology, being courteous and showing empathy, and providing a speedy recovery (Liao, 2007; Özgen and Kurt, 2009).

A satisfactory service recovery, in turn, has the potential to restore customer satisfaction and behavioral intentions (Orsingher *et al.*, 2010; Van Vaerenbergh *et al.*, 2012). A satisfactory recovery also alleviates customers' feelings of betrayal and their subsequent desire to retaliate against the service provider. Along with a lowered desire for retaliation, a satisfactory service recovery is also associated with an increase in forgiving, making customers less likely to persist in demanding reparations (Grégoire and Fisher, 2008). Wirtz and Mattila (2004) suggest that customers are less likely to demand compensation if the recovery process is well-executed. In a similar vein, Thwaites and Williams (2006) suggest that customers do not always seek financial compensation, especially if the failure can be corrected immediately.

Given that service guarantees offer customers a compensation in cases when the promised quality is not achieved (Hogreve and Gremler, 2009), and a satisfactory service recovery might make customers less persistent to demand reparations, we expect that customers receiving a satisfactory service recovery are less likely to invoke their service guarantee than customers receiving an unsatisfactory service recovery. To illustrate this, one of the respondents in Björnlin Lidén and Skålén's study (2004), indeed indicated that s/he was not looking for compensation but for satisfaction. The customer was thus satisfied when the service provider was able to recover the problem well, and did not invoke the service guarantee. More specifically, we hypothesize:
H1: Customers will be more likely to invoke a service guarantee after experiencing an unsatisfactory service recovery compared to when they experience a satisfactory service recovery

2.2. The Moderating Influence of Type of Guarantee and Cultural Orientation

Service researchers have identified consumer opportunism as an impact factor linked to the use of service guarantees (e.g. Wirtz and McColl-Kennedy, 2010). However, only few studies to-date have empirically investigated drivers of opportunism in service guarantee/recovery research (Wirtz and McColl-Kennedy, 2010). This topic is especially important, since many managers consider consumer opportunism as a key barrier to the implementation of service guarantees (Wirtz 1998; Wirtz and Kum, 2004). Sakalaki *et al*. (2007) argue opportunism, amongst other factors, to be influenced by situational characteristics and prior conditioning by culture (e.g. Chen *et al.*, 1998).

Drawing on opportunism literature, the following sections provide further insights into the case of satisfactory service recoveries. We believe this to be especially interesting, as even satisfactory recovery efforts (i.e. fixing the problem) can possibly lead to high invoke intentions. This study will specifically investigate the moderating influences of type of service guarantee (i.e. situational characteristic) and culture (i.e. personal characteristic) on the relationship between a satisfactory service recovery and invoke intentions.

2.2.1 Different types of service guarantees

Several studies have examined how service providers should design service guarantees. Researchers generally distinguish between unconditional and conditional service guarantees. Unconditional service guarantees have the coverage of the guarantee not explicitly specified, and customers can invoke the service guarantee whenever they experience dissatisfaction (Wirtz and Kum, 2001). The problem with this type of service guarantees is that it offers customers a "blank check" that they can cash in when experiencing the slightest sense of dissatisfaction (Schmidt and Kernan, 1985). Conditional service guarantees, on the other hand, are specific, and clearly indicate what is covered (Wirtz and Kum, 2001). Researchers have mixed opinions concerning the use of unconditional or conditional guarantees (Hogreve and Gremler, 2009). While some

studies advocate the use of an unconditional service guarantee (Hart, 1988), others advocate the use of a conditional service guarantee (McDougall *et al.*, 1998; Wirtz and Kum, 2001). From a managerial perspective, service providers have refrained using unconditional service guarantees because they might trigger opportunistic behavior from customers (Wirtz and Kum, 2001).
In recent years, an increasing number of scholars are investigating dysfunctional and deviant customer behaviors (e.g., Wirtz and Kum, 2004; Wirtz and McColl-Kennedy, 2010), including opportunistic claiming of service guarantees. Berry and Seiders (2008, p. 34) define an opportunist as someone who "may not be a chronic gold digger, but rather just someone who recognizes an opportunity to take financial advantage". Wirtz and McColl-Kennedy (2010) show that personal feelings of injustice (i.e. distributive, procedural and interactional) act as triggers of opportunistic claiming behavior and serve as a justification to support these claims. Rather than always formulating legitimate claims, the customer may have self-serving fairness perceptions leading to opportunistic claiming (Wirtz and McColl-Kennedy, 2010).

We propose that the type of service guarantee might play a role in determining customer's intentions to invoke the service guarantee following a satisfactory service recovery. Conditional service guarantees explicitly identify what is covered (Wirtz and Kum, 2001), thus providing clear indications to customers when they can and cannot invoke the service guarantee (McDougall *et al.*, 1998). In contrast, unconditional service guarantees promise full satisfaction to customers (Jin and He, 2013); the service guarantee thus covers all aspects of a firm's service performance regardless of service failures. Such unconditional promise leaves more room for interpretation and (deliberate) differing feelings of fairness, potentially leading to more opportunistic claiming after a satisfactory service recovery. After an unsatisfactory service recovery, customers have a legitimation to invoke the service guarantee. As such, one might expect that customers will actually do so, regardless of whether it involves a conditional or

unconditional service guarantee. Yet after a satisfactory service recovery, the type of service guarantee might influence customers' intentions to invoke a service guarantee. We thus expect that if customers want to engage in opportunistic behavior after a satisfactory service recovery, they are most likely to do so after an unconditional service guarantee. Yet not all customers are created equally, and we propose that customers' cultural orientation might influence whether customers will actually engage in invoking the unconditional service guarantee after a satisfactory service recovery.

2.2.2 Cultural orientation

Hofstede (1997, p.5) defines culture as "the collective programming of the mind which distinguishes the members of one group or category of people from another". Many scholars have devoted attention to categorizing societies based on commonly shared values. Thomas (2008) reviews the major frameworks that have emerged out of these value studies. These five frameworks each allow categorizing and comparing national cultures: the Kluckhohn and Strodtbeck framework, Hofstede's model, the Schwartz Value Survey, Trompenaars's value dimensions, and the Global Leadership and Organizational Behavior Effectiveness (GLOBE) study. The number of dimensions in these frameworks ranges from four to nine, yet the only dimension appearing in all five frameworks is the individualism-collectivism dimension. Several studies consider individualism – collectivism as the most prominent construct in cross-cultural psychology, if not the most important dimension of cultural differences in social behavior (Triandis, 1995). This study focuses on individuals' individualism-collectivism orientation to better understand their intentions to invoke a service guarantee, and also controls for the other cultural dimensions by Hofstede. The individualism-collectivism dimension refers to how people define themselves and their relationships with others. The origin and characteristics of this

dimension can be found in the differences in family units and their influence in people's everyday life and behavior (Schumann *et al*., 2010). Whereas individualists tend to focus on the difference between the 'self' and others, collectivists define the 'self' conditional upon social networks, and the main difference is that between the in-group and out-group (Triandis, *et al.*, 1988). Although the in-group/out-group distinction is present in both cultures, significant differences can be found (Gómez *et al.*, 2000). Collectivists tend be member of a limited amount of stable in-groups (e.g. family, band, tribe), subordinating personal goals to those of the collective (Triandis *et al.*, 1988). Individualists, on the other hand, tend to belong to many in-groups (e.g. family, coworkers, fitness club) that can change rapidly over time depending on the demands of the in-groups. If demands are too strict and inconvenient, in-groups are dropped and replaced by new ones (Triandis *et al.*, 1988). As such, the distinction between in- and out-group tends to be less clear for individualist cultures (Smith and Bond, 1993). Importantly, one should note that, although not to the same extent, people in both collectivist and individualist cultures tend to conform with the in-group rather than to the out-group (Chen *et al.*, 2002).

Williamson (1993, p. 476) argues "culture to serve as a check on opportunism" and hence influencing behavior towards out-groups. Some evidence suggests collectivist cultures to be more opportunistic toward out-groups than individualist cultures (Chen *et al.*, 2002). First, intra-cultural research has found collectivists to be more likely to use particularistic norms and standards for treating in- and out-group people differently (Leung and Bond, 1984; Redding and Wong, 1986). Individualistic societies, on the other hand, deploy more universalistic ethical norms in dealing with out-group members (Waterman, 1988), resulting in more restrained behavior in violating other groups' rights. Second is the so-called double-edged effect of social identification (Ashforth and Mael, 1989; 1996). Given that self-gain is often used to justify morally questionable actions; collectivists can appeal both to self-interest and in-group interest,

whereas individualists can only appeal to the former (Chen *et al.*, 2002). As self-sacrifice is highly esteemed in collectivistic cultures, acting opportunistically towards the out-group for the benefit of the in-group is considered less offensive to collectivists. Hence, the same self-collective dynamic forcing collectivists to feel morally obliged to the in-groups, allows a lower moral obligation to out-groups. On the other hand, individualists make less distinction between in-groups and out-groups, resulting in a lower negative attitude towards the out-groups (Chen *et al.*, 2002). Triandis *et al.* (1988) and Koch and Koch (2007) confirm this by demonstrating that cooperation in collectivist cultures is higher with in-group members compared to individualist cultures, but lower with out-group members.

For this research, we argue that most service firms are being considered out-group members [1], consequently influencing resulting customer behaviors. Given the aforementioned reasoning, we might suggest collectivists to be more inclined to invoke the *unconditional* service guarantee in the event of a *satisfactory* service recovery and therefore act in an opportunistic manner towards the service provider (i.e. out-group).

However, contrary to above reasoning, some evidence points in the other direction by relating opportunistic behavior to individualist cultures rather than collectivist cultures. First the pursuit of self-interest is fundamental to the individualist culture. However, as conformity and harmony are highly valued in collectivist cultures, highly self-interested parties might feel hindered as this behavior is more likely to bring shame in a collectivist society (Steensma *et al.*, 2000). Second, individualists were found more likely to engage in economic opportunism, because they have temporary relationships with the other persons (Salaki *et al.*, 2007). Third, studies in the complaint literature suggest that individualistic customers are more likely to complain than collectivist customers (Zhang *et al.*, 2008) and that individualists put more emphasis on compensation during service recovery (Mattila and Patterson, 2004; Wong, 2004),

hence individualists might be more likely to invoke the unconditional service guarantee following a satisfactory service recovery.

On the one hand, the literature suggests that collectivists might be more likely to invoke an unconditional service guarantee after a satisfactory service recovery. On the other hand, the literature also suggests that individualists might be more likely to invoke an unconditional service guarantee after a satisfactory service recovery. Given this duality in the literature, we propose two rival hypotheses to address the effect of culture on the relationship between service recovery and invoke intentions.

H2a: Collectivistic oriented customers are more likely to invoke an unconditional service guarantee after a satisfactory service recovery than individualistic oriented customers.

H2b: Individualistic oriented customers are more likely to invoke an unconditional service guarantee after a satisfactory service recovery than collectivistic oriented customers.

4. Method

There were 171 adults who participated in this research in April 2011. The design of the research was a 2 (Service recovery: unsatisfactory versus satisfactory) by 2 (Type of service guarantee: unconditional versus conditional) by 3 (culture: individualist, mixed, collectivist) between-subjects quasi-experimental design. The first two factors were manipulated using scenarios; the latter factor was measured among respondents. Similar to previous service research (e.g. Lii and Lee, 2012; Van Vaerenbergh *et al.*, 2013), we used scenarios to test the hypotheses. Scenarios have the advantage of eliminating difficulties associated with observation or enactment of service recovery incidents in real life, such as the expense or time involved, managerial undesirability of imposing service failures on customers, and ethical considerations (Bitner,

1990). Scenarios also have the advantage of reducing biases from memory retrieval when using recall-based designs (Smith *et al.*, 1999).

Participants were randomly assigned to one of the four scenarios. In line with prior research (e.g. Chu and Choi, 2000), respondents were recruited at a European international airport, with direct connections toward four of the five continents (Africa, America, Asia and Europe). There were no direct connections with the Australian continent. Data was collected in April, 2011 over a period of 7 days. Table 1 lists the sample characteristics. In total, respondents originated from 23 different countries, spanning four continents. Respondents were approached in the Departure hall, while waiting for their flight. This allowed respondents to complete the questionnaire at their own pace. After completion, the questionnaires were collected by the researchers. All questionnaires were administered in English. When inviting the respondents to participate, the researchers verified whether the respondents were proficient in English. If not, respondents were not allowed to participate in the research. Moreover, individuals' proficiency in English was questioned in the survey, and this serves as a control variable in our analyses.

Table 1 here.

Manipulations. The study was conducted in a hotel context; this context should be familiar to airport visitors. Respondents were asked to imagine going on a 3-day trip and staying at hotel A. They booked and paid U.S. $500 for their stay (at own expense). The customers then read a description of the service guarantee. In the unconditional guarantee condition, the respondents read: "At Hotel A, we strive for 100% guest satisfaction. If anything goes wrong, please let us know! We will make it right, otherwise you will get a 20% refund". In the conditional guarantee, related to the service failure manipulation, respondents read "At Hotel A, we are committed to provide a clean and comfortable room. If this goes wrong, please let us know! We will make it right, otherwise you will get a 20% refund". We opted for a 20% refund for two main reasons.

First, we wanted to stay in line with previous research examining the effects of different types of service guarantee designs (Wirtz and Kum, 2001). Second, service providers are sometimes reluctant to offer a 100% money-back guarantee, as it involves a potential financial risk. Service providers consider offering a 20% refund instead. For example, the Hyatt hotel offers a 20% refund if customers experience a service failure.

Respondents then read that on the day of the arrival, a friendly porter greets them at the entrance and takes their luggage. At the check-in, a friendly receptionist immediately looks up all information, and delivers the keys to the respondent. Yet, when entering the room, the respondent notices that the room is still untidy. The bed isn't made-up properly and the furniture is dusty.

Afterwards, respondents were told they went back to the receptionist to report this failure. They then received a description of either a satisfactory or unsatisfactory service recovery. Prior studies provided input for the service recovery manipulations (Liao, 2007; Van Vaerenbergh *et al.*, 2012). In the satisfactory service recovery scenarios, the customer receives an apology and the receptionist shows empathy. The receptionist assigns the customer to another room. When the customer enters the new room, s/he notices that it is clean and the bed is made up properly. In the unsatisfactory service recovery, the service provider tells the customer that he will send someone to clean the room. The customer goes for a walk; upon his/her return, s/he notices that nothing has been changed and clearly no one of the cleaning staff has been there.

Measures. Customers' intention to invoke the service guarantee was measured using a newly developed three-item seven-point Likert scale (α= .92; items: 'I would invoke the 20%-refund guarantee', 'I would do everything to obtain the 20% refund guarantee', and 'Other people in this situation are likely to invoke the 20%-refund guarantee'). Zhang *et al.* (2008) note that "it is important for researchers to measure values and cultural orientations rather than assume differences based on where the data are collected" (p. 221). Therefore, customers' individualistic

- collectivistic orientation was measured using a six-item seven-point scale (α= .87) adopted from Schumann *et al.* (2010). The items were: 'Individuals should sacrifice self-interest for the group, either at school or the workplace', 'Group welfare is more important than individual rewards', 'Group welfare is more important than individual success', 'Individuals should only pursue their goals after considering the welfare of the group', and 'Group loyalty should be encouraged even if individual goals suffer'. The average values ranged between 1.2 and 7, indicating a wide spread in individualism and collectivism throughout our sample. In line with prior studies examining the moderating effects of individualism/collectivism at the individual level (e.g. Cowley, 2005), we subdivided this variable into three groups: individualists, customers with mixed value orientations (both individualistic and collectivistic orientations), and collectivists. Maxham and Netemeyer's (2002) three-item seven-point Likert scale was used and assesses the manipulation of the level of service recovery (α= .73). In addition, a two-item seven-point Likert scale by Van Vaerenbergh, Vermeir and Larivière (2013) measuring scenario realism was also presented (α= .81).The questionnaire also contained a number of filler items, such as customer satisfaction, loyalty, and emotions. This was done to disguise the purpose of the research project. Finally, the respondents provided demographic information.

5. Results

5.1 Manipulation check

Before testing the hypotheses, we first examine whether the service recovery manipulation performs as intended. The results of an independent-samples *t*-test ($t(169)$=8.20, p<.001) indicate that the respondents reading a scenario in which the customer received an unsatisfactory service recovery report significantly lower satisfaction with service recovery (M=3.1; SD=1.2) than

respondents reading the satisfactory service recovery scenario (M=4.8; SD=1.4). We also conducted a two-way analysis of variance, with the level of service recovery and the type of service guarantee as independent variables. The results show a significant main effect of the level of service recovery (F(1,167)=66.84, $p < .001$), but no significant main effect of the type of service guarantee (F(1,167)=0.59, $p > .05$), and no significant interaction effect (F(1,167)=0.003, $p > .05$). These results suggest that the service recovery manipulation was successful. Additionally, participants evaluate the scenarios as realistic (M=5.2, SD=1.6). An analysis of variance (ANOVA) test indicates that the mean realism scores do not differ across conditions ($F(3,164)$= 2.17; $p > .05$). Altogether, these findings suggest that the manipulations work as intended.

5.2 Findings

We first hypothesized that customers who received an unsatisfactory service recovery are more likely to invoke a service guarantee than customers who received a satisfactory service recovery. We also hypothesized that culture influences customers' intentions to invoke an unconditional service guarantee after a satisfactory service recovery (H2a and H2b). In order to test these hypotheses, we conducted a three-way analysis of variance. Customers' intentions to invoke a service guarantee serves as dependent variable, the level of service recovery, the type of service guarantee, and cultural orientation serve as independent variables. Table 2 lists the results.

The results show a significant main effect of the level of service recovery (F(1,167)=68.35, $p < .001$). Customers who received an unsatisfactory service recovery are more likely to invoke the service guarantee (M= 6.1, SD= 1.4) than customers who received a satisfactory service recovery (M= 3.7, SD= 2.1). These findings support the first hypothesis.

We also hypothesized that culture influences customers' intentions to invoke an unconditional service guarantee after a satisfactory service recovery. The analysis of variance results show a significant three-way interaction ($p < .01$, see Table 2). In order to facilitate the interpretation, we listed the cell means and standard deviations in Table 3, and plotted the interaction in Figure 2. The results show that all respondents have high intentions to invoke the service guarantee if they received an unsatisfactory service recovery. In case the service provider issues a conditional service guarantee, both individualistic and collectivistic are not likely to invoke the service guarantee after a satisfactory service recovery. In case the service provider uses an unconditional service guarantee, however, collectivistic customers are more likely to invoke the service guarantee after a satisfactory service recovery than individualistic customers. These findings support H2a, and do not support H2b. These results thus support the in-group/out-group explanation. This perspective suggests that collectivists tend to behave more opportunistically towards out-groups (in this case, the service provider) than individualistic customers, our findings corroborate with this view.

5.3 Robustness tests

To rule out alternative explanations, several tests examined the robustness of our findings. Several candidate covariates are operationalized and added to the analysis of variance. Adding these covariates allows testing whether the significance of other effects holds and the findings are robust.

First, researchers indicate that response styles (i.e. responding to survey items regardless of content) might make cross-cultural comparisons more difficult. A recent review of the response styles literature (Van Vaerenbergh and Thomas, 2013) suggests that individualists and collectivists might have a different extreme response style, that is, the tendency to use 1 and 7 as

sole answering categories on a seven-point Likert scale. Individualists are more likely to use the extreme response categories than collectivists. In addition, conducting a survey in a second language might make people more likely to use the middle option (i.e. answering four on a seven-point Likert scale). In order to overcome this limitation, we calculated respondents' extreme response styles and midpoint response styles using the count procedure outlined by Van Vaerenbergh and Thomas (2013). Adding respondents' extreme response styles and midpoint response styles to the analysis of variance does not change the significance of the three-way interaction effect.

In addition, we examine whether customers' other cultural orientations (uncertainty avoidance – five items - $\alpha = 0.89$, power distance – five items - $\alpha = 0.77$, masculinity – four items - $\alpha = 0.80$ and long-term orientation – six items - $\alpha = 0.80$, adopted from Schumann *et al.* (2010) influence the results. The results remain stable when adding customers' other cultural orientations (uncertainty avoidance, power distance, masculinity, and long-term orientation) as covariates.

Third, the scenario noted that the hotel stay would cost U.S. $500. Yet hotel rates might differ across countries, so respondents might have different brand equity perceptions. Research shows that customers respond differently to service guarantees depending on the service provider's brand equity (Wirtz and Kum, 2001). To rule out this alternative explanation, we measured to what extent respondents find a $500 rate expensive, measured on a seven-point Likert scale. We also measured whether $500 would be much less or much more than they would normally give on a five-point scale. Both variables are added as covariates to the analysis of variance; the results do not change.

Fourth, we measured respondents' proficiency in English using a three-item measure ($\alpha = 0.94$) adopted from Van Vaerenbergh and Holmqvist (2013). The average self-reported English language proficiency is 6.3 on a seven-point scale, indicating high proficiency in English among

respondents. In addition, the results remain stable after adding respondents' proficiency in English as a covariate to the analysis.

Fifth, the results do neither change when all these aforementioned covariates are introduced simultaneously to the analysis of variance. None of the covariates thus needed to be added to the analysis of variance.

Finally, carving up continuous data might lead to false interpretations (Irwin and McClelland, 2003). In order to test whether this is the case in our study, we conduct a linear regression analysis using the continuous measure of individualism/collectivism, and compare the outcome with the analysis of variance results. The results remain stable when testing the hypotheses with linear regression analysis. Overall, all performed tests enhance the confidence in the robustness of our results.

6. Discussion

This research expands the current knowledge on service guarantees and service recovery in several ways. The results reveal an important relationship between excellence in service recovery and customers' intentions to invoke a service guarantee. This paper shows that customers might invoke the service guarantee in case the service recovery fails. This finding suggests that service recovery and service guarantees should be considered as distinct concepts. This view contrasts prior research that mainly considers service guarantees as part of a service recovery strategy (Björnlin Liden and Skalen, 2004).

Furthermore, finding that customers are likely to invoke a service guarantee after an unsatisfactory service recovery also forms a contribution to the service recovery literature. Prior research examines the effects of double deviation, defined as customer dissatisfaction as a result

of a failed recovery (Bitner *et al.* 1990). Yet how service providers might recover from a double deviation received has received only scant attention in prior research (Edvardsson *et al.*, 2011). While Edvardsson *et al.* (2011) focus on service provider resolutions to offset a double deviation, this study shows that customers might take an active stance and try to recover the double deviation themselves by invoking the service guarantee.

This study also outlines the conditions under which a customer might engage in opportunistic behavior following a satisfactory service recovery. The results indicate that an unconditional service guarantee shapes the condition under which customers might engage in opportunistic behavior by invoking the service guarantee. This study thus adds to the debate whether service providers should use conditional or unconditional service guarantees (Hogreve and Gremler 2009). Conditional service guarantees might inhibit customers from engaging in opportunistic behaviors such as invoking the guarantee after a satisfactory service recovery, while an unconditional service guarantee might trigger opportunistic for some, yet not all, customers.

We show that customers with a collectivistic cultural orientation are more likely to invoke an unconditional service guarantee after a satisfactory service recovery. Hogreve and Gremler (2009) noted that more knowledge is needed about the impact of culture on customer service guarantees as it could assist in the design of service guarantees. This investigation is the first to examine cross-cultural differences in customers' intentions to invoke service guarantees, and therefore addresses calls for research in the service guarantee literature by Hogreve and Gremler (2009) and Zhang *et al.* (2008). The specific role culture would play was first unclear as evidence was found supporting several directions. However the findings of this study seem to confirm the in-group/out-group rationale, whereby customers with collectivistic orientation tend to behave more opportunistically towards out-groups (i.e. the service provider) than customers with an individualistic orientation. A potential explanation for this effect might be that the respondents

consider the hotel as an out-group. The main conclusion is that global service providers might benefit from using conditional service guarantees; service providers only active in individualistic societies might use both conditional and unconditional service guarantees without evoking opportunistic behavior.

6.1 Implications for managers

The findings of this study carry important implications for managers. Next to preventing service failures at all times, this study underlines the need for a dual emphasis on the design of the service guarantee and excellence in service recovery. Given the significant relationship between customers' satisfaction with the service recovery and their intentions to invoke a service guarantee, it becomes crystal clear that managers cannot design a service guarantee in isolation, ignoring best service recovery practices. Service failures can always happen, even for companies with a reputation of world-class service (Zeithaml *et al.*, 2006). Focusing on service guarantees alone to recover from service failures can be harmful and costly. Service providers thus might benefit from including a service recovery statement in their service guarantee, and establishing a well-working complaint handling department. This can be attained by training the frontline employees who interact with customers. Employees play a crucial role, and will need the job resources (i.e., empowerment, rewards and training) and personal motivation (e.g., job resourcefulness) to perform successfully (Rod and Ashill, 2009). If service providers succeed in providing a satisfactory service recovery, this can not only lead to a potential restore in customer satisfaction (e.g., Orsingher *et al. 2010*, Van Vaerenbergh *et al.* 2012), but can also be considered as a money-saving operation as the customer will be less likely to invoke the money promised by the guarantee.

Our results also indicate that global service providers should be careful when using unconditional service guarantees. Our findings suggest that collectivistic customers might invoke the service guarantee even after the initial problem was resolved; this is less the case for individualistic customers. Hence, if service providers are concerned about opportunistic customer behavior, our research outcomes suggest that conditional guarantees might be the best solution. Nevertheless, it is important to note that this study focuses on these situations in which customers already decided to choose this particular service provider and evaluated its performance and promises (service guarantees) afterwards. As such, this study does not provide managerial insight into which type of guarantee performs best to attract potential customers in the first place. Further research on this issue seems warranted.

6.2 Limitations and further research

Several limitations in this study present opportunities for ongoing research. This study relies on a scenario-based experiment in a hotel setting, an approach with strong precedent in service research. However, while scenarios enhance internal validity, its external validity might be limited. Consequently, future research might use more settings and different methodologies, including longitudinal designs, to replicate and extend the current findings.

Note that the service guarantee used in our study promised a 20% refund to customers who experience a service failure. While a 20% refund is used in some hotels, other hotels sometimes offer a 100% refund. The 20% refund might be perceived as stingy or adding insult to the injury. Customers then might have strong emotional reactions, be more likely to retaliate against the service provider, and thus be more likely to invoke the service guarantee. On the other hand, in case of a 100% refund, customers might be more likely to invoke the service guarantee as it yields a larger gain. From that perspective, using a 20% service guarantee is actually a more

conservative examination of customers' intentions to invoke a service guarantee. Future research should examine this issue, and replicate our results using a 100% service guarantee.

This research studies customers who paid for their own expenses. In the context of this study (staying at a hotel), it is also plausible that the customer is travelling for business, and that his employer is covering the hotel costs. Therefore, future research might focus on other types of customers such as business customers, or accompanying family members / friends / colleagues and their perceptions about the service provider. Research on service level agreements (SLAs) in a business-to-business environment (e.g., Hogreve and Gremler, 2009; Van Ossel and Gemmel, 2003) with respect to invoke intentions and cultural differences offers a fruitful area for further investigation.

This study uses one specific service failure (a bed that isn't made up properly and a dusty room). Future research might replicate our findings using different types of service failures.

In addition, while this study focuses on the customers, it is clear that the employees play a crucial role in dealing with customer requests to invoke the guarantee, to restore the service failure satisfactory in the eyes of the customers, and to deal with opportunistic customers. More research is needed to understand the impact of such situations on employees' emotions and behavior.

Due to the study design, the hotel used can be considered to be part of the out-group. However, research has shown that people tend to differentiate brands in terms of in-group and out-group brands (Choi and Winterich, 2013). Further research could investigate the difference between in-group and out-group brands and their effect on invoke intentions and other reactions to service failure/recovery events.

Finally, and in line with Hogreve and Gremler (2009), further research could adopt a more holistic and interdisciplinary view, investigating the effect of guarantee invoking behavior in

situations of service failure on customers, employees, operational processes and the competitive environment al together.

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FOOTNOTE 1

We thank an anonymous reviewer for drawing our attention to this point

Table 1: Sample characteristics

Variable	Percent
Gender	
Male	72.2%
Female	27.8%
Age	
< 20	3.0%
20-30	39.3%
31-40	23.8%
41-50	19.0%
51-60	11.3%
> 60	3.6%
Continent of origin	
Africa	5.5%
America	43.9%
Asia	23.2%
Europe	27.4%

Table 2: Analysis of variance results

	F	*p*	η^2
Level of service recovery (SR)	68.350	.000	.30
Type of guarantee (G)	.497	.482	.00
Individualism - Collectivism (IC)	1.064	.348	.01
SR*G	.523	.471	.00
SR*IC	2.646	.074	.03
G*IC	1.777	.172	.02
G*SR*IC	4.994	.008	.06

Table 3: Descriptive statistics

Level of service recovery	Type of guarantee	Cultural orientation	Intentions to invoke service guarantee	
			M	*SD*
Unsatisfactory	Conditional	Individualistic	6.21 [a]	1.60
		Mixed	5.87 [a]	1.60
		Collectivistic	6.18 [a]	1.31
	Unconditional	Individualistic	6.33 [a]	1.53
		Mixed	6.28 [a]	1.04
		Collectivistic	5.67 [a]	1.75
Satisfactory	Conditional	Individualistic	3.28 [b]	2.02
		Mixed	3.86 [b]	2.25
		Collectivistic	3.31 [b]	1.95
	Unconditional	Individualistic	3.23 [b]	1.78
		Mixed	2.91 [b]	2.40
		Collectivistic	5.67 [a]	1.21

Note: Cell means sharing the same letter (either [a] or [b]) are not significantly different from each other. Cell means having different letters are significantly different from each other.

Figure 1: Conceptual framework

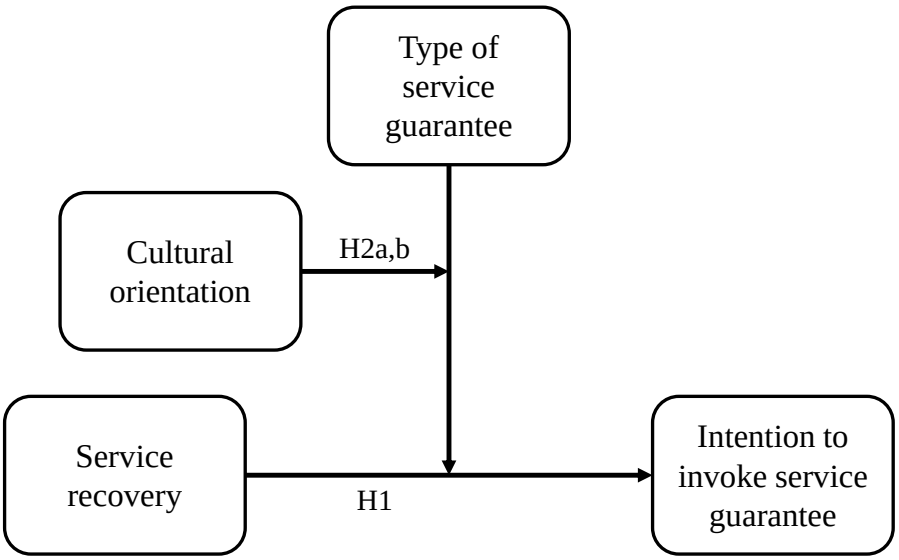

Figure 2: Three-way interaction effect